

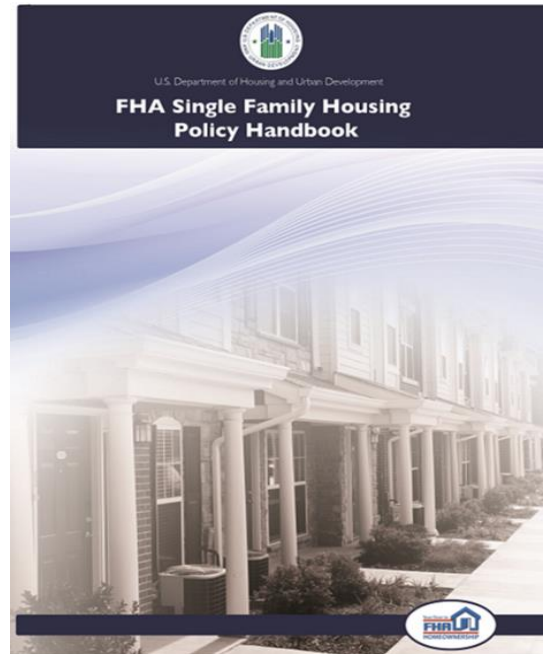


# Disclaimer regarding the Effective date of Handbook 4000.1

- On April 30, 2015, FHA announced that it extended the effective date for the policies contained in the *Single Family Housing Policy Handbook* (SF Handbook; HUD Handbook 4000.1) from June 15, 2015 to September 14, 2015.
- This training session was recorded prior to April 30, 2015. Please note the change of the effective date of SF Handbook during the presentation.



# Training: Origination Through Post-Closing/ Endorsement





## Module 6: Closing

*Single Family Housing Policy Handbook 4000.1  
Title II Insured Housing Program Forward Mortgages  
Origination through Post-Closing/Endorsement*

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## **FHA Single Family Housing Policy Handbook**

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  - b. Mortgage and Note
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# Objective

- We will review the policies and provide clarity for effectively preparing a loan for closing and disbursement on a mortgage loan to be insured by FHA.



# Introduction

- A Mortgagee's responsibility for closing a mortgage to obtain FHA-insured, single-family financing is to:
  - Ensure FHA's first lien position;
  - Review all documents to assure compliance with all conditions of the commitment;
  - Ensure the FHA transaction closes in the same manner in which it was underwritten and approved; and



## Introduction (cont.)

- A Mortgagee's responsibility for closing a mortgage to obtain FHA-insured, single-family financing is to:
  - Confirm that the **Disbursement Date** occurs before the expiration of the FHA-issued Firm Commitment or DE Approval and credit documents.



## Question

- What do we state in the Handbook?
- The **Disbursement Date** must occur **before the expiration of the** FHA-issued Firm Commitment **or DE Approval** and credit documents.
- Did we forget about the requirement that the **Disbursement Date** must occur before the expiration of the appraisal?





# DE Approval

On Page 3, Form 92900-A, also known as DE Approval, the date entered for the **Date Approval Expires** is the **Appraisal Expiration Date**.

Direct Endorsement Approval for a HUD/FHA-Insured Mortgage				U.S. Department of Housing and Urban Development	
Part I - Identifying Information (mark the type of application)		2. Agency Case No. (include any suffix)	3. Lender's Case No.	4. Section of the Act (for HUD cases)	
1. <input type="checkbox"/> HUD/FHA Application for insurance under the National Housing Act					
6. Borrower's Name & Present Address (include zip code)		7. Loan Amount (include the UFIMP) \$	8. Interest Rate %	9. Proposed Maturity yr. mos.	
8. Property Address (including name of subdivision, lot & block no., & zip code)		10. Discount Amount (only if borrower is permitted to pay) \$	11. Amount of Up Front Premium \$	12a. Amount of Monthly Premium /mo.	12b. Term of Monthly Premium months
		13. Lender's I.D. Code		14. Sponsor/Agent I.D. Code	
16. Lender's Name & Address (include zip code)		16. Name & Address of Sponsor/Agent			
Type or Print all entries clearly		17. Lender's Telephone Number			
Sponsored Originations	Name of Loan Origination Company	Tax ID of Loan Origination Company	NMLS ID of Loan Origination Company		
<input type="checkbox"/> Approved: Approved subject to the additional conditions stated below, if any. Date Mortgage Approved _____ Date Approval Expires _____					



# Chain of Title

- The Mortgagee must obtain evidence of prior ownership when a property was sold within 12 months of the case number assignment date.
- The Mortgagee must review the evidence of prior ownership to determine any undisclosed Identity-of-Interest transactions.



# Identity-of-Interest

- An Identity-of-Interest Transaction is a sale between parties with an existing Business Relationship or between Family Members.
- Business Relationship refers to an association between individuals or companies entered into for commercial purposes.



# Identity-of-Interest

- Is the following scenario an Identity-of-Interest?
- What is the maximum allowable LTV?
  - The sister of the landlord has been renting her primary residence from her for the last 12 months and just executed a contract to purchase her residence.



# Identity-of-Interest

- Is the following scenario an Identity-of-Interest? **YES**
- What is the maximum allowable LTV? **YES**
  - The sister of the landlord has been renting her primary residence from her for the last 12 months and just executed a contract to purchase her residence.
- **Family Member in which the Borrower has been a tenant for at least six months immediately predating the sales contract.**



# Title

- The Mortgagee must ensure that all objections to title have been cleared and any discrepancies have been resolved to ensure that the **FHA-insured mortgage is in first lien position.**



# Good and Marketable Title

- The Mortgagee must determine if there are any exceptions to good and marketable title not covered by the General Waiver (see Handbook Section: General Eligibility and 24 CFR § 203.389).



# General Eligibility

- **Valid First Liens**

- The Mortgagee must ensure that the mortgaged property will be free and clear of all liens, except the insured mortgage and any secondary liens permitted by FHA regulations at 24 CFR §§ 203.32 and 203.41.





# What is the General Waiver Referenced?

- The **General Waiver** is actually a summary of the exceptions to title that HUD has deemed appropriate per the Federal Regulation that would allow properties with these specific title objections (exceptions) be acceptable for FHA insuring.



## Acceptable Exceptions per(CFR § 203.389)

- FHA regulations at CFR § 203.389 state that FHA will not object to title because of common customary easements, restrictions and encroachments such as:
  - Public Utility Easements; and
  - Driveway Encroachments.



# Good and Marketable Title

- The Mortgagee must review any exceptions discovered during the title search and decide whether such title exceptions effect the property's value and/or marketability.
- If the Mortgagee determines that any exception effects the property's value and/or marketability, the Mortgagee must request a waiver from the Processing and Underwriting Division Director at the Jurisdictional HOC prior to endorsement.



## Good and Marketable Title (cont.)

- If the waiver is approved, the HOC will notify the Mortgagee in writing. The Mortgagee must place the notice of approval in the mortgage file.
- If the waiver request is **denied and a Good and Marketable Title is not obtained, the mortgage is not eligible for FHA insurance.**



## Manufactured Housing: Two Titles

- If there are two existing titles at the time the housing unit was purchased, the Mortgagee must ensure that all state or local requirements for proper purging of the title (chattel or equivalent debt instrument) have been met, and the subject property is classified as real estate prior to endorsement.



# Closing in Compliance with Mortgage Approval

- The Mortgagee must instruct the settlement agent to close the mortgage in the same manner in which it was underwritten and approved.
- The Mortgagee must ensure that the conditions listed on Form HUD-92900-A and/or Form HUD-92800.5B are satisfied.



# Closing in the Mortgagee's Name

- A Mortgage may close in the name of the Mortgagee or the sponsoring Mortgagee, the principal, or the authorized agent.



## Closing in the Mortgagee's Name (cont.)

- Third-Party Originators (TPO) that are **not FHA-approved Mortgagees may not close in their own names or perform any functions in FHA Connection (FHAC).**





## Required Forms

- The Mortgagee must use the forms and/or language prescribed by FHA in the legal documents used for closing the mortgage.



# Certification Requirements

Form	Signature Certification
HUD-92900-A	Borrower
HUD-92900-A	Mortgagee
Addendum to Settlement Statement	Borrower
Addendum to Settlement Statement	Settlement Agent
Addendum to Settlement Statement	Seller



# Escrow Account Requirements

- The Mortgagee must establish the escrow account in accordance with the regulatory requirements in 24 CFR § 203.550 and RESPA.



# Monthly Escrow Obligations

- The escrow account must be sufficient to meet the following obligations when they become due:
  - Hazard insurance premiums;
  - Real estate taxes;
  - Mortgage Insurance Premiums (MIP);
  - Special assessments;
  - Flood insurance premiums, if applicable;
  - Ground Rents, if applicable; and
  - Any item that would create liens on the property positioned ahead of the FHA-insured mortgage, **other than condominium or Homeowners' Association (HOA) fees.**



# Repair Completion Escrow Requirement

- The Mortgagee may establish a repair escrow for incomplete construction, or for alterations and repairs that cannot be completed prior to loan closing, **provided the housing is habitable and safe for occupancy at the time of loan closing.**



## Repair Completion Escrow Requirement (cont.)

- Repair escrow funds must be sufficient to cover the cost of the repairs or improvements.
- The cost for **Borrower labor may not be included in the repair escrow account.**



## Repair Completion Escrow Requirement (cont.)

- The Mortgagee must execute Form HUD-92300, *Mortgagee's Assurance of Completion*, to indicate that the repair escrow has been established.
- The Mortgagee must certify on Form HUD-92051, *Compliance Inspection Report*, that the incomplete construction, alterations and repairs have been satisfactory completed.



## Closing Costs and Fees

- The Mortgagee must ensure that all fees charged to the Borrower comply with all applicable federal, state, and local laws and disclosure requirements.
- The **Mortgagee is not permitted to use closing costs to help the Borrower meet** the Minimum Required Investment (MRI).





# Premium Pricing on FHA-Insured Mortgages

- The funds derived from a premium-priced mortgage:
  - Must be disclosed in accordance with RESPA.



## Premium Pricing on FHA-Insured Mortgages (cont.)

- The funds derived from a premium-priced mortgage:
  - May not be used for payment of debts, collection accounts, escrow shortages, or missed Mortgage Payments, or Judgments.



## Premium Pricing on FHA-Insured Mortgages (cont.)

- Any of the funds derived from a premium priced mortgage that exceed the actual dollar amount for closing costs and prepaid expenses still remaining after Interested Party contributions must be used to pay down the principal balance.



# Interested Party Contributions on the Settlement Statement

- The Mortgagee may apply Interested Party credits to the origination fees, other closing costs, and discount points including any items Paid Outside Closing (POC).



## Interested Party Contributions on the Settlement Statement (cont.)

- The refund of the Borrower's POCs may be used toward the Borrower's minimum required investment if the Mortgagee documents that the POCs were paid with the Borrower's own funds.



## Interested Party Contributions on the Settlement Statement (cont.)

- The Mortgagee must identify each item paid by Interested Party contributions.
- The total Interested Party credits on the front page of the Settlement Statement or similar legal document or in an addendum.



## Real Estate Tax Credits

- Where real estate taxes are paid in arrears, the seller's real estate tax credit may be used to meet the minimum required investment (MRI), if the Mortgagee documents that the Borrower had sufficient assets to meet the MRI and the Borrower paid closing costs at the time of underwriting.



# Collecting Customary and Reasonable Fees

- The Mortgagee may charge the Borrower reasonable and customary fees that do not exceed the actual cost of the service provided.
- Tax Service Fee may be charged to the borrower.





## Other Fees and Charges

- The Mortgagee or Third Party Originator (TPO) may charge the Borrower discount points, lock-in, and rate-lock fees consistent with FHA and CFPB requirements.



## Other Fees and Charges (cont.)

- **Origination Fees:**
  - The Mortgagee may charge an origination fee in accordance with RESPA.



## Other Fees and Charges (cont.)

- **Discount Points:**
  - The Mortgagee may charge the Borrower discount points.



## Other Fees and Charges (cont.)

- **Lock-in and Rate Lock Fees:**
  - The Mortgagee may charge the Borrower lock-in and rate-lock fees only if the Mortgagee provides a lock-in or commitment agreement guaranteeing the interest rate and/or discount points for a period of not less than 15 Days prior to the anticipated closing.



# Qualified Mortgage

- The Mortgagee must ensure the points and fees charged are in compliance with FHA's Qualified Mortgage Rule.



# Collecting Customary and Reasonable Fees

- The Mortgagee must ensure that the aggregate charges do not violate FHA's Tiered Pricing rules.



# Tiered Pricing

- The Mortgagee may not make a mortgage with a Mortgage Charge Rate that varies more than two percentage points from the Mortgagee's reasonable and customary rate for insured mortgages for dwellings located within the area.
- To determine whether a mortgage exceeds the two percentage point variation limit, the Mortgagee must compare Mortgage Charge Rates for mortgages of the same type, from the same area, and made on the same day, or during some other reasonably limited period.
- See Section 203(u) of the National Housing Act (12 U.S.C. §1709(u)), 24 CFR § 200.12.



## Per Diem Interest and Interest Credits

- The Mortgagee may collect per diem interest from the Disbursement Date to the date amortization begins.
- Per diem interest must be computed using a factor of  $1/365$ th of the annual rate.
- Alternatively, the Mortgagee may begin amortization up to 7 Days prior to the Disbursement Date and provide a per diem interest credit. Any per diem interest credit may not be used to meet the Borrower's MRI.





# Signatures

- The Mortgagees must ensure that the mortgage, Note, and all closing documents are signed by all required parties in accordance with the Borrower Eligibility section of the SF Handbook.

*Note: Signatures block on the mortgage follows the FNMA/FHLMC format.*



# Use of Power of Attorney at Closing

- A Borrower may designate an attorney-in-fact to use a Power of Attorney (POA) to sign documents on their behalf at closing.



## Use of Power of Attorney at Closing (cont.)

- Unless required by applicable state law, or as stated in the Exception below, or they are the Borrower's Family Member, none of the following persons connected to the transaction may sign the security instrument or Note as the attorney-in-fact under a POA:
  - Mortgagee, or any employee, or Affiliate;
  - Loan originator, or employer, or employee;
  - Title insurance company providing the title insurance policy, the title agent closing the mortgage, or any of their affiliates; or
  - Any real estate agent or any person affiliated with such real estate agent.



# Use of Power of Attorney at Closing (cont.)

## EXCEPTION:

- Closing documents may be signed by an attorney-in-fact who is connected to the transaction if the POA expressly authorizes the attorney-in-fact to execute the required documents on behalf of a Borrower, only if the Borrower, to the satisfaction of the attorney-in-fact in a recorded interactive session conducted via the Internet has:
  - Confirmed their identity; and
  - Reaffirmed, after an opportunity to review the required mortgage documents, their agreement to the terms and conditions of the required mortgage documents evidencing such transaction and to the execution of such required mortgage by such attorney-in-fact.



# Mortgage and Note

- The Mortgagee must develop or obtain a separate Mortgage and Note that conforms generally to the Freddie Mac and Fannie Mae forms in both form and content, but that includes the specific modification required by FHA set forth in the applicable **Model Note and Mortgage**.



# Single Family Mortgages Model Documents-Website

Single Family Mortgages  
Module Documents Website:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_office/housing/sfh/model\\_documents](http://portal.hud.gov/hudportal/HUD?src=/program_office/housing/sfh/model_documents)

## Single Family Mortgages Model Documents

The documents below are categorized by all programs, forward and reverse mortgages.

### ALL PRODUCTS

- **Informed Consumer Choice** (12/14)

### FORWARD

#### Notes, Mortgages, Agreements

- **ARM Note** (eff. 1/10/15)
- **Mortgage Forward** (9/14)
- **Note Forward** (eff. 1/21/15)
- **Rehabilitation Loan Agreement** (9/14)

#### Riders

All Products and Programs

- **Condominium Rider** (9/14)
- **Construction Rider** (9/14)
- **Non-Owner Occupancy Rider** (9/14)
- **Planned Unit Development Rider** (9/14)
- **Settlement Certification** (formerly "Addendum to HUD-1 Settlement Statement")
- **Water Purification Equipment Rider** (9/14)

### REVERSE

#### Notes, Mortgages, Agreements

- **HECM ARM Loan Agreement** (2/15)
- **HECM ARM Mortgage** (2/15)
- **HECM ARM Mortgage Note** (2/15)
- **HECM Fixed Rate Loan Agreement** (2/15)
- **HECM Fixed Rate Mortgage** (2/15)
- **HECM Fixed Rate Mortgage Note** (2/15)
- **HECM ARM Second Mortgage** (2/15)
- **HECM ARM Second Note** (2/15)

#### Riders

- **HECM ARM Repair Rider** (2/15)
- **HECM Fixed Rate Repair Rider** (2/15)

#### Other Documents



# Enforceable Mortgage and Note

- The Mortgagee must ensure that the Mortgage and Note comply with all applicable state and local requirements for creating a recordable and enforceable mortgage, and an enforceable Note.



# Disbursement of Mortgage Proceeds

- The Mortgagee must verify that the loan proceeds are disbursed in the proper amount to the Borrower and the Seller for a purchase transaction or for a refinance transaction per the debt holder.





# Maximum Age of Documents

- **General Document Age:**
  - Documents used in origination and underwriting a mortgage may not be more than 120 days old at the Disbursement Date.



# Re-verification of Employment

- Re-verification of employment must be completed within 10 Days prior to the date of the Note.
- Verbal re-verification of employment is acceptable.



# Disbursement Date

- The Disbursement Date must occur before the expiration of the FHA-issued Firm Commitment or DE approval and credit documents.



## Definition: Disbursement Date

- The Disbursement Date refers to the date the proceeds of the mortgage are made available to the borrower.

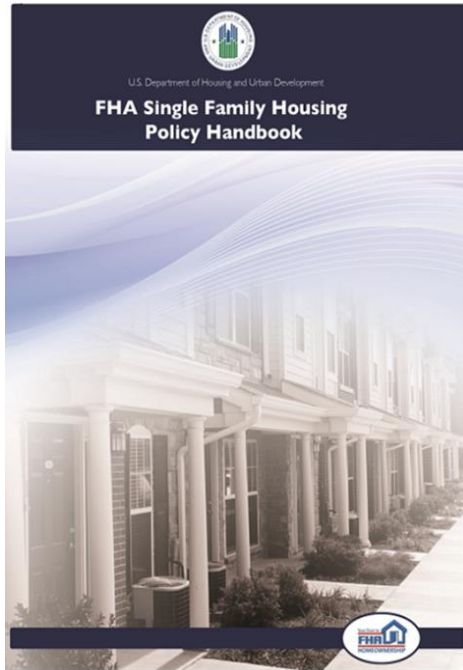


# Required Documentation for Disbursement of Loan Proceeds

- The Mortgagee must obtain the final Settlement Statement or similar legal document from the settlement agent.



# Single Family Housing Policy Handbook 4000.1 Training Webcast Series



*Thank you for attending.*



# BREAK

**We will begin “Post-Closing and Endorsement”  
in a few moments.**